



July 13, 2012

**VIA ELECTRONIC FILING**

The Honorable Jocelyn G. Boyd  
Chief Clerk/Administrator  
**Public Service Commission of South Carolina**  
101 Executive Center Drive  
Columbia, South Carolina 29210

RE: Petition of South Carolina Electric & Gas Company for authorization to defer incremental operation and maintenance expenses that will be incurred as a result of complying with certain requirements promulgated by the United States Nuclear Regulatory Commission Docket No. 2012-\_\_\_\_-E

Dear Ms. Boyd:

Enclosed for filing on behalf of South Carolina Electric & Gas Company is a Petition for authorization to defer incremental operation and maintenance expenses that will be incurred as a result of complying with certain requirements promulgated by the United States Nuclear Regulatory Commission.

By copy of this letter, we are serving the South Carolina Office of Regulatory Staff with a copy of the enclosed Petition and attach a certificate of service to that effect.

If you have any questions, please do not hesitate to contact us.

Very truly yours,



K. Chad Burgess

KCB/kms

cc: John W. Flitter  
Jeffrey M. Nelson, Esquire  
(all via electronic and U.S. First Class Mail)

BEFORE  
THE PUBLIC SERVICE COMMISSION  
OF  
SOUTH CAROLINA  
DOCKET NO. 2012 - \_\_\_\_ - E

IN RE:

Petition of South Carolina Electric & Gas Company for authorization to defer incremental operation and maintenance expenses that will be incurred as a result of complying with certain requirements promulgated by the United States Nuclear Regulatory Commission.  
\_\_\_\_\_

PETITION OF SOUTH CAROLINA  
ELECTRIC & GAS COMPANY  
FOR AN ACCOUNTING ORDER

South Carolina Electric & Gas Company ("SCE&G" or "Company") hereby files with the Public Service Commission of South Carolina ("Commission") this petition, pursuant to S.C. Code Ann. § 58-27-1540 (Supp. 2011) and 26 S.C. Code Ann. Reg. 103-825 (1976, as amended), seeking an accounting order for regulatory accounting purposes thereby authorizing SCE&G to defer as a regulatory asset up to \$3,000,000 in incremental operation and maintenance expenses that SCE&G will incur as a result of complying with existing and future requirements promulgated by the United States Nuclear Regulatory Commission ("NRC") in response to the earthquake and tsunamis experienced at Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station in Japan in March 2011.

The request for relief set forth herein will not involve a change to any of SCE&G's retail rates or prices at this time, or require any change in any Commission rule, regulation or policy. In addition, the issuance of the requested accounting order will not prejudice the right of any party to address these issues in a subsequent general rate case proceeding. Accordingly, neither notice to the public at-large, nor a hearing is required regarding this Petition.

In support of this Petition, the Company would respectfully show unto this Commission the following key facts and would request of and apply to the Commission for the following relief:

1. SCE&G is a corporation organized and existing under the laws of the State of South Carolina. Further, SCE&G is, in part, an electric utility engaged in the generation, transmission, distribution, and sale of electricity to the public for compensation. SCE&G's retail electric operations are subject to the jurisdiction of the Commission pursuant to the provisions of Chapter 27 of Title 58 of the South Carolina Code of Laws.

2. SCE&G operates an integrated electric utility system that serves over 660,000 customers in 24 counties covering nearly 17,000 square miles in central, southern and southwestern portions of South Carolina. SCE&G's service territory includes the metropolitan areas of Charleston, Columbia, Beaufort, and Aiken and many other smaller cities and towns, and rural areas in South Carolina.



3. Corporate legal counsel for SCE&G in this proceeding are as follows:

K. Chad Burgess, Esquire  
Matthew W. Gissendanner, Esquire  
**South Carolina Electric & Gas Company**  
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220 Operation Way  
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All correspondence and any other matters relative to this proceeding should be addressed to SCE&G's authorized representatives as stated hereinabove.

4. On March 11, 2011, a 9.0 magnitude earthquake occurred off the eastern coast of Japan.<sup>1</sup> The epicenter of the earthquake was 112 miles from Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station. The earthquake was the largest Japan has ever experienced and caused all of the operating units at the Fukushima Daiichi Nuclear Power Station (Units 1, 2, and 3) to automatically scram on seismic reactor protection system trips.<sup>2</sup> The earthquake damaged breakers and distribution towers thereby causing a loss of all off-site electrical power sources to the site. The emergency diesel generators automatically started and provided alternating current (AC) power to emergency systems.

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<sup>1</sup> The events described in Paragraphs 4-7 are taken from a document entitled "Special Report on the Nuclear Accident at the Fukushima Daiichi Nuclear Power Station" as published by the Institute of Nuclear Power Operations.

<sup>2</sup> Prior to the earthquake, Units 4, 5, and 6 at the Fukushima Daiichi Nuclear Power Station had been shut down for routine refueling and maintenance.

Three minutes after the earthquake, the Japan Meteorological Association issued a major tsunami warning, indicating the potential for a tsunami at least ten feet high.

5. After the earthquake, the first of a series of seven tsunamis arrived at the Fukushima Daiichi Nuclear Power Station. The maximum tsunami height that impacted the site was estimated to be 46 to 49 feet. This exceeded the design basis tsunami height of 18.7 feet and was above the site grade levels of 32.8 feet at Units 1-4.

6. The tsunamis inundated the area surrounding Units 1-4 to a depth of 13 to 16 feet above grade, causing extensive damage to site buildings and flooding of the turbine and reactor buildings. Additionally, the intake structures at all six units were unavailable because the tsunamis and debris heavily damaged the pumps, strainers, and equipment. Moreover, the flooding caused electrical faults.

7. The diesel generators operated for a short time, but the combination of the loss of cooling water, flooding of electrical switchgear, and flooding of some of the diesel generator rooms caused a loss of all AC power on-site for Units 1-5; Unit 6 was able to retain the function of one emergency diesel generator which supplied electrical power to the unit. Despite their actions, the operators lost the ability to cool the fuel in the Unit 1 reactor after several hours, in the Unit 2 reactor after about 70 hours, and in the Unit 3 reactor after about 36 hours, resulting in damage to the nuclear fuel shortly after the loss of cooling capabilities.

8. Following the events at the Fukushima Daiichi Nuclear Power Station, the NRC established a senior-level agency task force referred to as the Near-Term

Task Force ("NTTF"). The NTTF was tasked with conducting a systematic and methodical review of NRC regulations and processes governing the United States' nuclear generating fleet and determining whether the agency should make safety improvements in light of the events in Japan.

9. As a result of its review, the NTTF developed a comprehensive set of recommendations, documented in SECY-11-0093, "Near Term Report and Recommendations for Agency Actions Following the Events in Japan," dated July 12, 2011. These recommendations were enhanced by the NRC staff following interactions with stakeholders. The NRC staff's enhancement efforts are contained in SECY-11-0124, "Recommended Actions to be Taken Without Delay From the Near-Term Task Force Report," dated September 9, 2011, and SECY-11-0137, "Prioritization of Recommended Actions to be Taken in Response to Fukushima Lessons Learned," dated October 3, 2011. SECY-11-0124 and SECY-11-0137 established the NRC staff's prioritization of the recommendations.

10. On December 15, 2011, by way of a staff requirements memorandum, the NRC approved the NRC staff's prioritization of the NTTF recommendations and directed the NRC staff to consider the various regulatory vehicles available to implement the recommendations.

11. The NRC has concluded that a sequence of events such as those experienced at the Fukushima Daiichi Nuclear Power Station is not likely to occur in the United States. Nonetheless, the NRC's assessment of new insights from the events at the Fukushima Daiichi Nuclear Power Station prompted the NRC to

impose additional requirements on nuclear power reactor licensees, including SCE&G, to increase the capability of nuclear power plants to mitigate beyond-design-basis external events.

12. On March 12, 2012, the NRC issued the first regulatory requirements for the nation's operating reactors based on the lessons learned at the Fukushima Daiichi Nuclear Power Station. More specifically, the NRC issued three orders, effective immediately, identified as EA-12-049 (Order to Modify Licenses with regard to Requirements for Mitigation Strategies for Beyond-Design-Basis External Events); EA-12-050 (Order to Modify Licenses with regard to Reliable Hardened Containment Vents); and EA-12-051 (Order Modifying Licenses with regard to Reliable Spent Fuel Pool Instrumentation). All of these orders require safety enhancements to operating reactors but only two of these orders, namely, EA-12-049 and EA-12-51, are applicable to Unit 1 at the V.C. Summer Nuclear Station.<sup>3</sup> These orders require SCE&G, as well as other nuclear power plant operators, to implement safety enhancements related to (i) mitigation strategies to respond to extreme natural events resulting in the loss of power at plants and (ii) enhancing spent fuel pool instrumentation. SCE&G, along with the other nuclear power reactor licensees, are required to promptly begin implementation of the safety enhancements and complete implementation within two refueling outages or by December 31, 2016, whichever comes first.

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<sup>3</sup> The NRC order identified as EA-12-050 is applicable only to boiling-water reactor licensees with Mark I and Mark II containments. EA-12-050 does not apply to SCE&G because the Company is not a boiling-water reactor licensee.



13. In anticipation of complying with the NRC's mandate, SCE&G expects to incur incremental operation and maintenance expenses for Unit 1 at its V.C. Summer Nuclear Station totaling approximately \$3 million during the next five (5) years beginning in 2012 – with additional incremental operation and maintenance expenses likely to be incurred as the NRC continues to review, evaluate, and promulgate new requirements in response to the events that occurred at the Fukushima Daiichi Nuclear Power Station. For now, SCE&G must (i) conduct a seismic probabilistic risk assessment and hazards analysis, (ii) conduct walkdowns and re-evaluation of hazards, (iii) develop support guidelines for Diverse and Flexible Mitigation Capability ("FLEX") and integrated emergency procedures; (iv) develop and implement required training, and (v) implement plant modifications for piping and electric connections in support of FLEX. As stated above, these activities will increase SCE&G's operation and maintenance expenses at Unit 1.

14. Based upon the foregoing, SCE&G seeks authorization from the Commission to defer as a regulatory asset the incremental operation and maintenance expenses that SCE&G will incur as a result of complying with existing and future requirements promulgated by the NRC in response to the earthquake and tsunamis experienced at the Fukushima Daiichi Nuclear Power Station in March 2011.

15. If the Commission approves SCE&G's request, then the Company will seek recovery of these deferred expenses in a future application to the Commission seeking approval to adjust its retail rates and charges in a general rate case

proceeding. In such a proceeding, the Company will request an appropriate mechanism for the recovery of these deferred expenses. At the present time, SCE&G has not made a decision as to when the Company will seek recovery of these costs.

**WHEREFORE**, having set forth its Petition, SCE&G respectfully requests that the Commission issue an order authorizing SCE&G to (i) defer as a regulatory asset up to \$3,000,000 in incremental operation and maintenance expenses that SCE&G will incur as a result of complying with existing and future requirements promulgated by the NRC in response to the earthquake and tsunamis experienced at the Fukushima Daiichi Nuclear Power Station in March 2011 and (ii) grant such other and further relief as is just and proper.

Respectfully submitted,



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Attorneys for SCE&G

July 13, 2012  
Cayce, South Carolina

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA

DOCKET NO. 2012-\_\_\_\_-E

IN RE:

Petition of South Carolina Electric & Gas	)	
Company for an Accounting Order to Defer	)	
and Record as a Regulatory Asset	)	<b>CERTIFICATE</b>
Community/Economic Development	)	<b>OF SERVICE</b>
Grants made to Aiken County	)	
_____	)	

This is the ~~certify~~ that I have caused to be served this day one copy of South Carolina Electric & Gas Company's **Petition for authorization to defer incremental operation and maintenance expenses that will be incurred as a result of complying with certain requirements promulgated by the United States Nuclear Regulatory Commission** to the persons named below at the addresses set forth via U.S. First Class Mail and electronic mail:

Jeffrey M. Nelson, Esquire  
Office of Regulatory Staff  
1401 Main Street, Suite 900  
Columbia, SC 29201  
[jnelson@regstaff.sc.gov](mailto:jnelson@regstaff.sc.gov)

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Karen M. Scruggs

Cayce, South Carolina  
This 13<sup>th</sup> day of July 2012